

February 22, 2013

TO: British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

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Dear Sirs & Mesdames:

Re: CSA Consultation Paper 33-403

The Standard of Conduct for Advisers and Dealers: Exploring the Appropriateness of Introducing a Statutory Best Interest Duty When Advice is Provided to Retail Clients

Richardson GMP Limited ("RGMP") is pleased to provide the following comments with respect to the above noted matter and commends the CSA for taking the time to seek input from interested stakeholders in regards to this matter. We also support and applaud the CSA for taking an interest in introducing "statutory best interest duty" when providing advice to Canadian retail clientele, but also caution that this should not be a blanket approach to the industry. The CSA needs to be clear to what extent various business models would be deemed acceptable under a fiduciary model. For example, we view new issue syndication, proprietary product, in-house bond desks and principle trading as activities that are consistent within a fiduciary model.

As Canada's largest independent wealth management firm, RGMP provides exclusive and innovative investment solutions to successful families and entrepreneurs. With offices located in 15 cities across Canada, we recognize the importance of trust between Canadians and their financial advisers. By putting our clients first, we have earned top overall ranking in the 2010, 2011 and 2012 *Investment Executive* Brokerage Report Card for products and services dedicated to high net worth investors.

In late 2012, RGMP became the first Canadian Investment Advisory Firm to be certified for fiduciary excellence by the Centre for Fiduciary Excellence ("CEFEX"), specifically for our Separately Managed Account programs, as well as our Portfolio Managed Account (discretionary) programs. CEFEX certification helps determine the trustworthiness of investment fiduciaries. As a certifying organization, CEFEX provides an independent recognition of a firm's conformity to a defined Standard of Practice. It implies that a firm can demonstrate adherence to the industry's best practices and is positioned to earn the public's trust. This registration serves investors who require assurance that their investments are being managed according to commonly accepted best practices.

Our CEFEX certification is a clear demonstration of how we consider the fiduciary duty of a firm to retail clients to be of critical importance to the success of the industry and Canadian investors. In addition, we support the notion of advisers and dealers being held to higher standards than the current "duty-of-care" model. While we recognize that there are a number of great advisers in Canada that are trustworthy individuals acting in the best interests of their clients, we believe our industry needs to focus on providing advice, not just selling products.

Concern 1: There may be an inadequate principled foundation for the standard of conduct owed to clients.

The *Ontario Securities Act* applies a fiduciary duty on investment fund managers and the funds they manage, but there is no equivalent duty under the Act for dealers and advisers to their clients. The critical issue is that more and more seasoned investment advisers are evolving into providing the same investment management services under a discretionary basis causing a blurring of the line between the fiduciary standard applied to investment managers and the evolving IIROC platform. By mandating advisers with a fiduciary duty (particularly in the case where a client chooses to have that relationship with the adviser), more like that of lawyers, accountants and portfolio managers, there will be an increase in confidence in the investment process with a clarification of the duty of advisers to serve their clients.

Regulators in the US, UK and Australia have all begun the process of introducing legislation that would make advisers subject to a fiduciary duty when dealing with retail clients. We feel the changes taking place in the UK and other jurisdictions around the world are significant. It is important to highlight the law that is changing in the UK, where companies are switching to a mandatory fee-based structure for their clients (commissions are prohibited). Although RGMP is not 100% fee-based, we have one of the highest percentages of fee-based assets of any dealer in Canada and this continues to increase.

Concern 2: The current standard of conduct may not fully account for the information and financial literacy asymmetry between advisers and dealers and their retail clients.

We appreciate the concept behind clients having the option to choose how they want to work with an investment adviser (like the model introduced in Australia) in order to better align the financial literacy of the client with the relationship with the adviser. However, we also recognize that these models have their limitations. If clients want a mix in the type of relationship, complications can arise with multiple advisers being necessary, thereby actually increasing costs to the firm and the client. If there was a way

to improve upon the Australian model whereby one adviser could act in either a fiduciary duty to one client or work with a client that is actively involved in buy and sell decisions, that may be worth consideration if there was a way to effectively monitor those relationships. In the case of the commission-only, account liability on behalf of the adviser is shared with the client, as the client is to be contacted on the investment decisions made. The other relationship would include fiduciary advisers that had a “statutory best-interest duty”. These advisers would be completely unbiased in terms of the investment decisions at hand and hold full responsibility for the investment decisions. Regardless of the model selected, we believe the industry needs to make clients and client education a priority in order to remove any misconceptions regarding the type of advice they receive and ensure they make an informed decision in selecting the appropriate adviser relationship and investment strategy.

As a specific example, as the industry gears up to better educate clients around mutual fund fees and the mandated “fund facts” simplified fee information, RGMP is not only supportive of this new disclosure mandate, but also is working to roll out this initiative in advance of the regulatory deadline. We feel strongly these new “fund facts” are much easier for our retail clients to comprehend and it is in their best interest to receive them sooner rather than later. The “fund facts” are a step in the right direction toward serving the best interests of the Canadian retail investor.

Concern 3: There is an expectation gap because investors incorrectly assume that their adviser/dealer must always give advice that is in their best interests.

The perception gap needs to be removed by making the perception a reality. Firms and advisers can achieve that with independent certification. It is of critical importance to ensure the interests of the client are put ahead of the aspirations of the adviser. We are putting that model into practice at RGMP as Canada’s first investment advisory firm to be certified for fiduciary excellence. Firms need to be held to a higher standard of fiduciary responsibility, which is why we voluntarily subjected the firm to an audit by CEFEX in order to be granted the CEFEX Adviser Certification of Excellence for our Separately Managed Account programs, as well as our Portfolio Managed Account (discretionary) programs. We were proactive in our efforts to hire an independent, best-practices evaluator to review our internal management programs to verify we measured up against current global standards.

We know that Canadian investors are also looking for a firm that holds itself to a higher standard. This became clear to us when we announced our CEFEX certification and were contacted by a number of retail clients who wanted to learn more about this accreditation. It is important to our clients, so it is important to us. As such, now that RGMP has been certified, we are formulating a plan to encourage all our Investment Advisers to independently earn the designation of Accredited Investment Fiduciary (AIF). AIF designees have a reputation in the industry for the ability to implement a prudent process into their individual investment practices. However, if firms are not willing to go through the process voluntarily, then who is left to protect the Canadian retail investor and bridge that perception gap?

Concern 4: Advisers/dealers must recommend suitable investments but not necessarily investments that are in the client's best interests.

We value and respect the very high degree of trust our clients have bestowed upon us. Our clients and their interests are of paramount importance to us. That is why we are so proud of our CEFEX designation, which demonstrates our commitment to act in our clients’ best interests and not just recommend what is suitable. While we encourage clients to be educated and engaged in the advisory relationship, we believe we have an obligation to hold ourselves to the highest standard of fiduciary care and be leaders in the wealth management industry. For the health of the industry and the trust of the

Canadian investor, we encourage other advisory firms and individual advisers to also hold themselves to a higher standard.

In addition, in order for investment advisers to remain engaged with their clients, we also value the need for professional development among investment advisers. In order to truly evolve as a profession, all advisers need to continually add to their knowledge and skills (much like the requirements for doctors, lawyers and accountants), in order to serve clients in a more holistic approach to wealth management. We believe this area has been seriously lacking in the industry over the past 20 years and would go far to mitigate concerns about the advisory profession in respect of fiduciary standards.

Concern 5: The application in practice of the current conflicts of interest rules might be less effective than intended.

As markets remain volatile and financial burdens increase, Canadians are more conscious than ever about the health of their investment portfolio, whether it's for retirement, post-secondary education for their kids or ensuring their loved ones are provided for upon death. Canada's current model puts that health at risk because of potential conflicts between the interests of the adviser and his/her clients. A fiduciary model would make for a stronger more meaningful relationship between the client and the adviser.

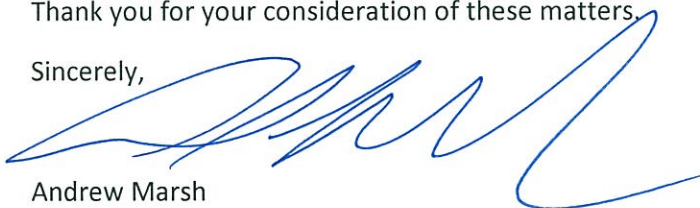
Finally, it is important that costs associated with any regulatory changes need to be balanced with the benefits. We believe that healthy and profitable independent firms are good for the Canadian landscape, providing options for Canadian investors beyond the big banks. The costs associated with such substantive regulatory changes could be prohibitive for some smaller, independent dealers. For example, the IIAC noted the costs associated with the implementation of the Client Relationship Model (which contains a number of measures to address investor concerns) for some firms have been as high as \$2 million. While firms found these costs high and the process time-consuming, there is concern that upgrades under a fiduciary standard will prove to be even more arduous. Those increased expenses incurred by a firm are likely to be passed on to clients and certain clients may deem the extra protection not worth the extra cost. As such, without being mindful of the costs associated with regulation, regulators could inadvertently preclude many of the people they are trying to protect from getting the advice they desire at a price they consider reasonable. That being said, implementing the right changes for the industry will be good for clients by enhancing their choices in the selection of the most appropriate adviser.

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We encourage the CSA and other regulators to recognize the importance of ensuring advisers and dealers have a duty to put the interests of their clients first. We believe these changes are critical to the reputation and health of the investment industry and the financial success of Canadians.

Thank you for your consideration of these matters.

Sincerely,



Andrew Marsh
President and CEO of Richardson GMP Limited